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BEFORE THE

Federal Communications Commission

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

WASHINGTON, D.C.

In the Matter of

Price Cap Performance Review
For AT&T

)
)
) CC Docket No. 92 - 134
)
)

TO: The Commission

Comments of the Interexchange Resellers Association
and Telecommunications Marketing Association

1. The Interexchange Reseller Association (IRA) and Telecommunications Marketing Association (TMA), hereby comments on the Commission's review of price cap performance for AT&T.¹

2. The IRA/TMA supports the Commission's goals of greater efficiency and innovation, reasonable rates, state-of-the-art service quality, and improvement in consumer welfare through regulation of AT&T via the price cap approach.

3. IRA/TMA, many of whose members resell AT&T SDN service, are very concerned about the Commission's apparent course in granting AT&T additional regulatory relief over and above that which was granted in CC Docket No. 90 - 132 for AT&T's business basket of services, however.

¹ The IRA and TMA are industry trade associations representing switchless resellers including resellers of AT&T's Software Defined Network and Distributed Network Services. The IRA and TMA represent over 100 switchless resellers and are in the process of merging. The new association will be known as the Telecommunications Resellers Association and will be incorporated by 12/31/92.

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4. This concern is rooted in the experience of AT&T reseller customers that have seen substantial increases in services to which they subscribe (or would like to subscribe) that are excluded from price cap regulation.

5. In the case of AT&T SDN service, customers have experienced five rate increases since March 1990 with a cumulative increase of over 15%. It is interesting to note that over half of this cumulative increase has occurred since 12/16/91 or after Basket 3 became deregulated. (On 12/16/91 AT&T increased rates by a modest 2.0% and on 6/1/92 AT&T increased rates by a whopping 7.0%!) This is also the period of time in which AT&T has had over 100 customers utilizing its SDN service for the express purpose of resale. Many in the switchless resale industry expect further such increases by AT&T until this industry no longer exists. This theory expects a reduction in rates once these resellers have been "price-migrated" from the service with the introduction of a rate model in the service that penalizes users for switched access use that exceeds some arbitrary threshold set by AT&T. Precedent for such a model was set in AT&T Transmittal 4212 for its Tariff 12 Option 58 service in which AT&T shrewdly managed to increase rates from 18% to 25% depending on the customer's percentage use of switched outbound and inbound traffic.

6. The switchless resale industry believes the above mentioned changes to VTNS Tariff 12 service option 58 were singularly motivated by the fact that over 12 switchless resellers had requested this service option and would have been able to deliver extremely low rates (based on the original Tariff 12 Option 58 switched outbound and inbound rate of \$0.0114 per minute regardless of distance) to the switched outbound and inbound business service market.

7. Of course, in the instances of the SDN and VTNS Option 58 increases, AT&T's actions were *presumed* to be lawful and did not require any cost justification.

8. This is the experience of a class of customers that

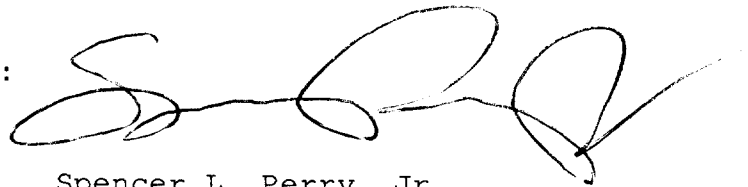
entered into service agreements with AT&T based on their rights to resell AT&T Custom Network Services pursuant to the Communications Act of 1934 (amended) and the Commission's policy on shared use and resale.

9. Given the Commission's aversion to reimposing rate of return regulation or "making any adjustments to price cap regulation that would reduce the incentives the price cap plan creates,"² IRA/TMA strongly recommends that the Commission carefully examine AT&T's adherence to the Commission's resale policy in the instances where resold services are not subject to traditional regulatory scrutiny. In the alternative, the Commission may want to consider scrapping its shared use and resale policy for those basket of services that the Commission would choose to deregulate.

Respectfully submitted,

Interexchange Resellers Association
and Telecommunications Marketing
Association

By:

A handwritten signature in black ink, appearing to read "Spencer L. Perry, Jr.", written over a horizontal line.

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² FCC Notice of Inquiry CC Docket No. 92 - 134 at 32